

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Gaines	County Genesee
Audit Date 3/31/05	Opinion Date 6/16/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

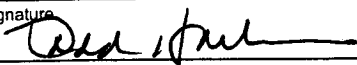
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Date 9/29/05	

Annual Financial Report

**Village of Gaines
Genesee County, Michigan**

March 31, 2005

with Independent Auditors' Report

**Village of Gaines
Annual Financial Report
For the Fiscal Year Ended March 31, 2005**

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**Village of Gaines
Annual Financial Report
For the Fiscal Year Ended March 31, 2005**

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Introductory Section

**Annual Financial Report
Village of Gaines
List of Officials
March 31, 2005**

Russ Morse	President
Luanne Kondel	Clerk
John Burt	Treasurer
Dan Archambault	Trustee
Bruce Ferris	Trustee
Helen Killinger	Trustee
Dave Lobdell	Trustee
Sam Stiff	Trustee
Merritt Symons	Trustee

Financial Section

Independent Auditors' Report

Village Council
Village of Gaines
Genesee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Gaines, Michigan (Village) as of March 31, 2005, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Gaines, Michigan at March 31, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedules included in the supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Gaines's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

June 16, 2005

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of the Village of Gaines's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with the Village's financial statements, which follow this section.

Financial Highlights

- The Village's Total Net Assets are \$1.8 million. Unrestricted net assets were \$285,480.
- During the year, the Village's governmental activity expenses were \$144,946, combined program and general revenues were \$173,966 generating an increase in net assets of governmental activities of \$29,020.
- The business-type activity sewer enterprise fund incurred a decrease in net assets of \$56,111.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the sewer system that the government operates like a business.
 - * Fiduciary fund statements provide information about the financial relationships where the Village acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Village of Gaines's
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Village government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as police and fire	Activities the Village operates similar to private businesses: the sewer system	Instances in which the Village is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Agency funds statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Village's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets – the difference between the Village's assets and liabilities – is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's roads.

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities – Most of the Village's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer system is the only business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Board establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

- Governmental funds – Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Village has only one governmental fund, the General Fund.
- Proprietary funds – Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Village has only one proprietary fund, the Sewer Fund.

- In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The Village is the fiduciary, for assets held on the behalf of others. The Village is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Village's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

Financial Analysis of the Village as a Whole

Net assets

The Village's governmental activities net assets are \$263,443. The unrestricted governmental activities net assets are \$94,836. Business-type activities net assets are approximately \$1.6 million with \$1.4 million being invested in capital assets net of related debt.

Governmental Activities

Revenues of governmental activities amounted to \$173,966 while expenses were \$144,946 resulting in an increase in net assets of \$29,020.

Business-Type Activities

Operating revenues of the Village's business-type activities increased \$779 from the prior year of \$27,276 to the current year total of \$28,055. Other capital contributions realized amounted to \$13,020. Operating expenses decreased by \$2,771 to stand at \$98,400. Overall, the sewer fund incurred a \$56,111 decrease in net assets.

Village of Gaines's Net Assets

	Government Activities	Business-type Activities	Total
Current and other assets	\$256,650	\$ 215,366	\$ 472,016
Capital assets	21,355	1,362,297	1,383,652
Total assets	\$278,005	\$1,577,663	\$1,855,668
Other liabilities	\$ 14,562	\$ 24,722	\$ 39,284
Total liabilities	\$ 14,562	\$ 24,722	\$ 39,284
Net assets:			
Invested in capital assets, net of related debt	\$ 21,355	\$1,362,297	\$1,383,652
Restricted	147,252	-	147,252
Unrestricted	94,836	190,644	285,480
Total net assets	\$263,443	\$1,552,941	\$1,816,384

Village of Gaines's Changes in Net Assets

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 9,278	\$ 28,055	\$ 37,333
Capital grants and contributions	1,880	13,020	14,900
General revenues:			
Property taxes	79,104	-	79,104
Other taxes – state shared revenues	83,273	-	83,273
Unrestricted earnings	431	1,214	1,645
Total revenues	<u>173,966</u>	<u>42,289</u>	<u>216,255</u>
Expenses:			
General government	64,672	-	64,672
Public safety	42,787	-	42,787
Public service	37,487	-	37,487
Water and sewer	-	98,400	98,400
Total expenses	<u>144,946</u>	<u>98,400</u>	<u>243,346</u>
Increase in net assets	29,020	(56,111)	(27,091)
Net assets - April 1, 2004	<u>234,423</u>	<u>1,609,052</u>	<u>1,843,475</u>
Net assets - March 31, 2005	<u>\$263,443</u>	<u>\$1,552,941</u>	<u>\$1,816,384</u>

Financial Analysis of the Village's Funds

As the Village completed the year, its General Fund reported a fund balance of \$83,122. This was an decrease of \$11,371 from the prior year.

The Village's General Fund revenues excluding other financing sources were \$101,000 this year. Property taxes were \$51,912 or 51% of the total revenues. Federal grants, local grants, and State revenue sharing made up \$40,358 or 40% of the total revenue. The remaining 9% of General Fund revenues are comprised mostly of Miscellaneous Revenues and Interest Revenue.

The other governmental funds ended the fiscal year with following fund balances: major streets - \$56,747; local street - \$516,569; fire - \$9,238; police - \$2,426; and all other funds - \$73,936.

Capital Assets

At the end of 2005, the Village had invested \$1,383,652 in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities and villages gather together all of the required information, GASB has allowed smaller units of government like Village of Gaines to report infrastructure assets on a prospective basis after adopting the new reporting standard.

Village of Gaines Capital Assets
(net of depreciation)

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Buildings and system	\$ 18,107	\$ -	\$ 18,107
Improvements other than buildings	-	1,362,297	1,362,297
Vehicles	3,248	-	3,248
Total	<u>\$ 21,355</u>	<u>\$1,362,297</u>	<u>\$1,383,652</u>

Budgetary Information

The Village Council amended the original budget during the year for each major fund to adjust for changes in the amount of revenues anticipated. The significant change was for General Fund which budgeted revenues were reduced by \$6,707 and expenditures and transfers were reduced by \$9,431.

Contacting the Village's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Gaines Clerk's Department.

Basic Financial Statements

Government-wide Financial Statements

Village of Gaines
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and equivalents	\$ 231,385	\$ 187,754	\$ 419,139
Receivables	23,364	16,759	40,123
Due from other governments	12,754	-	12,754
Internal balances	(10,853)	10,853	-
Non current assets:			
Capital assets (net of accumulated depreciation)	21,355	1,362,297	1,383,652
Total assets	278,005	1,577,663	1,855,668
Liabilities			
Accounts payable and other current liabilities	14,562	15,573	30,135
Deferred revenue	-	9,149	9,149
Total liabilities	14,562	24,722	39,284
Net assets			
Invested in capital assets, net of related debt	21,355	1,362,297	1,383,652
Restricted for:			
Highway and streets	73,316	-	73,316
Special revenue	73,936	-	73,936
Unrestricted	94,836	190,644	285,480
Total net assets	\$ 263,443	\$ 1,552,941	\$ 1,816,384

See notes to financial statements.

**Village of Gaines
Statement of Activities
For the Year Ended March 31, 2005**

Functions\Programs	Program revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 64,672	\$ 8,679	\$ -
Public safety	42,787	599	-
Public service	37,487	-	1,880
Total governmental activities	144,946	9,278	1,880
Business-type activities			
Sewer and water	98,400	28,055	13,020
Total business-type activities	98,400	28,055	13,020
Total primary government	\$ 243,346	\$ 37,333	\$ 14,900
General revenues:			
Property taxes			
Sales tax			
Motor fuel taxes			
Unrestricted earnings			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (55,993)	\$ -	\$ (55,993)
(42,188)	-	(42,188)
(35,607)	-	(35,607)
(133,788)	-	(133,788)
-	(57,325)	(57,325)
-	(57,325)	(57,325)
(133,788)	(57,325)	(191,113)
79,104	-	79,104
40,333	-	40,333
42,940	-	42,940
431	1,214	1,645
-	-	-
162,808	1,214	164,022
29,020	(56,111)	(27,091)
234,423	1,609,052	1,843,475
\$ 263,443	\$ 1,552,941	\$ 1,816,384

Fund Financial Statements

**Village of Gaines
Balance Sheet
Governmental Funds
For the Year Ended March 31, 2005**

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>
Assets			
Cash and cash equivalents	\$ 64,980	\$ 58,020	\$ 32,186
Receivables:			
Delinquent taxes	13,561	-	-
Due from other funds	14,223	1,474	2,633
Due from other governments	5,331	5,553	1,823
	<hr/>	<hr/>	<hr/>
Total assets	\$ 98,095	\$ 65,047	\$ 36,642
	<hr/>	<hr/>	<hr/>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 7,713	\$ 4,371	\$ 924
Advances from other funds	-	2,000	18,000
Due to other funds	7,260	1,929	1,149
	<hr/>	<hr/>	<hr/>
Total liabilities	14,973	8,300	20,073
	<hr/>	<hr/>	<hr/>
Fund balances:			
Unreserved:			
Designated for subsequent years' expenditures	27,885	-	8,563
Unreserved, undesignated, reported in:			
General Fund	55,237	-	-
Special revenue funds	-	56,747	8,006
	<hr/>	<hr/>	<hr/>
Total fund balances	83,122	56,747	16,569
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 98,095	\$ 65,047	\$ 36,642
	<hr/>	<hr/>	<hr/>

Fire	Police	Other Governmental Funds	Total
\$ 5,525	\$ 5,596	\$ 65,079	\$ 231,386
4,466	-	2,627	20,654
-	-	6,230	24,560
-	47	-	12,754
\$ 9,991	\$ 5,643	\$ 73,936	\$ 289,354

\$ 441	\$ 1,113	\$ -	\$ 14,562
-	-	-	20,000
312	2,054	-	12,704
753	3,167	-	47,266

-	-	-	36,448
-	-	-	55,237
9,238	2,476	73,936	150,403
9,238	2,476	73,936	242,088
\$ 9,991	\$ 5,643	\$ 73,936	\$ 289,354

Village of Gaines
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2005

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 242,088
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,355
	<hr/>
Net Assets - Governmental Activities	<u><u>\$ 263,443</u></u>

See notes to financial statements.

Village of Gaines
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General	Major Streets	Local Streets
Revenues:			
Taxes	\$ 51,912	\$ -	\$ -
Licenses and permits	400	-	-
Intergovernmental:			
Federal	25	-	-
State	40,333	33,588	11,231
Fines and fees	1,574	-	-
Interest	75	92	107
Miscellaneous	6,681	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	101,000	33,680	11,338
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
General government	50,240	-	-
Public safety	378	-	-
Highways and streets	-	11,272	8,598
Planning	625	-	-
Recreation and cultural	-	-	-
Other	19,332	-	-
Capital outlay	1,304	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	71,879	11,272	8,598
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	29,121	22,408	2,740
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(40,492)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(40,492)	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(11,371)	22,408	2,740
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	94,493	34,339	13,829
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 83,122</u>	<u>\$ 56,747</u>	<u>\$ 16,569</u>

See notes to financial statements.

Fire	Police	Other Governmental Funds	Total
\$ 17,124	\$ -	\$ 10,068	\$ 79,104
		-	400
		-	25
-	-	-	85,152
-	47	-	1,621
9	10	138	431
-	551	4,405	11,637
17,133	608	14,611	178,370
		-	50,240
14,501	27,908	10,815	53,602
-	-	100	19,970
		-	625
		-	-
		-	19,332
-	-	1,585	2,889
14,501	27,908	12,500	146,658
2,632	(27,300)	2,111	31,712
1,000	28,229	11,263	40,492
-	-	-	(40,492)
1,000	28,229	11,263	-
3,632	929	13,374	31,712
5,606	1,547	60,562	210,376
\$ 9,238	\$ 2,476	\$ 73,936	\$ 242,088

**Village of Gaines
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2005**

Amounts reported for governmental activities in the statement of activities (page 12)
are different because:

Net Change in fund balances - total governmental funds (page 17)	\$	31,712
--	----	--------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

(2,692)

Change in net assets - governmental activities

\$ 29,020

See notes to financial statements.

**Village of Gaines
Statement of Net Assets
Proprietary Funds
March 31, 2005**

	<u>Enterprise Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 187,754
Receivables:	
Accounts	13,203
Delinquent taxes	3,556
Advances to other funds	20,000
Noncurrent assets:	
Property and equipment - net	<u>1,362,297</u>
Total assets	<u>1,586,810</u>
Liabilities	
Current liabilities:	
Accounts payable	15,573
Due to other funds	9,147
Deferred revenue	<u>9,149</u>
Total liabilities	<u>33,869</u>
Net Assets	
Invested in capital assets, net of related debt	1,362,297
Unrestricted	<u>190,644</u>
Total net assets	<u><u>\$ 1,552,941</u></u>

See notes to financial statements.

Village of Gaines
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended March 31, 2005

	<u>Enterprise Sewer</u>
Operating revenues:	
Charges for services	\$ 28,055
Total operating revenues	<u>28,055</u>
Operating expenses:	
Depreciation	46,707
Repairs and maintenance	2,696
Pump maintenance	11,700
Administration	6,785
County charges and billing	28,276
Utilities	1,797
Miscellaneous expense	39
Professional fees	400
Total operating expenses	<u>98,400</u>
Operating loss	<u>(70,345)</u>
Nonoperating revenues:	
Tap in fees	13,020
Interest income	1,214
Total nonoperating revenues	<u>14,234</u>
Change in net assets	(56,111)
Net assets - beginning of year	<u>1,609,052</u>
Net assets - end of year	<u><u>\$ 1,552,941</u></u>

See notes to financial statements.

Village of Gaines
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2005

	<u>Enterprise Sewer</u>
Cash flows from operating activities:	
Receipts from customers	\$ 32,454
Payments to suppliers	(36,398)
Payments to employees	(6,785)
	<u>(10,729)</u>
Net cash used in operating activities	
Cash flows from capital and related financing activities:	
Capital contributions received	<u>13,020</u>
	<u>13,020</u>
Net cash flows provided by capital and related financing activities	
Cash flows from investing activities:	
Interest earned	<u>1,214</u>
	<u>1,214</u>
Net cash flows provided by investing activities	
	3,505
Net increase in cash	
Cash and cash equivalents - beginning of year	<u>184,249</u>
Cash and cash equivalents - end of year	<u><u>\$ 187,754</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (70,345)
Adjustments to reconcile net operating loss	
to net cash used in operating activities:	
Depreciation	46,707
(Increase) in accounts receivable	(2,026)
Decrease in due from other funds	6,425
(Increase) in advances to other funds	-
(Decrease) in accounts payable	(637)
Increase in deferred revenue	-
Increase in due to other funds	<u>9,147</u>
Net cash used in operating activities	<u><u>\$ (10,729)</u></u>
Noncash investing, capital, and financing activities:	
None.	

See notes to financial statements.

**Village of Gaines
Balance Sheet
Agency Funds
March 31, 2005**

	<u>Current Tax Fund</u>
Assets	
Cash and cash equivalents	\$ 3,241
Total assets	<u>\$ 3,241</u>
Liabilities	
Due to other funds	\$ 2,710
Due to other governments	<u>531</u>
Total liabilities	<u>\$ 3,241</u>

See notes to financial statements.

Notes to Basic Financial Statements

Village of Gaines
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies

The accounting policies of the Village of Gaines conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Village of Gaines.

A. Reporting entity

The Village of Gaines is located in Genesee County, Michigan. The Village operates under a Village Council consisting of seven members and provides various services to its residents.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Gaines
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the Village's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction. The State of Michigan has designated these funds as major governmental funds.

The Fire Fund accounts for fire services provided to Village residents.

The Police Fund accounts for police services provided to Village residents.

The government reports the following major proprietary funds:

The Sewer Disposal System. A fund is maintained for the operations of the sewage pumping and collection systems that transmit the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund types:

Agency Fund account for assets held by the Village as an agent for individuals, private organizations and other governments, and/or other funds. These are custodian in nature and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Village of Gaines
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

The Village's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

Village of Gaines
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained. In accordance with GASB 34, the Village can prospectively account for infrastructure assets and is not required to determine infrastructures obtained prior to April 1, 2004..

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Building improvements	15-40
Vehicles	5
System infrastructure	50

4. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Village of Gaines
Notes to Financial Statements
March 31, 2005**

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity - (continued)

5. Property taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1, and are payable without penalty through February 28. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis. Uncollected fees as of March 31, 2005, are recorded as a receivable with an offsetting deferred revenue account in the General Fund.

The Village is permitted by law to levy up to \$20 per \$1,000 (20 mills) of taxable value for general governmental services other than the payment of principal and interest on long-term debt. The tax rate to finance such general governmental services for the year ended March 31, 2005, was \$13.90 per \$1,000. The Village is permitted to levy unlimited amounts for payment of existing general long-term debt obligations. As of March 31, 2005, \$-0- per \$1,000 of taxable valuation was being levied for long-term debt retirement.

II. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay (amounts > \$5,000)	\$ -
Depreciation expense	<u>2,692</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,692</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The budget for all budgetary funds is adopted in total by fund. The original budget and subsequent amendments approved by a majority vote of the Village Council include proposed expenditures and ways of financing those expenditures.

Village of Gaines
Notes to Financial Statements
March 31, 2005

III. Stewardship, compliance, and accountability – (continued)

A. Budgetary information – (continued)

2. A public hearing is conducted to obtain taxpayers comments.
3. The budget is adopted on a basis consistent with generally accepted accounting principles.
4. Appropriations lapse at year end.

B. Excess expenditures over budget

The Village expenditures in excess of appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund – expenditures and transfers	\$105,992	\$112,371	\$ 6,379
Major Street Fund	8,049	11,272	3,223
Local Street Fund	6,297	8,598	2,301
Fire Fund	14,280	14,501	221
Police Fund	26,600	27,908	1,308

IV. Detailed notes on all funds

A. Deposits and investments

The Village is authorized by the State of Michigan Public Act 132 of 1986 to deposit its funds in banks, savings and loan associations, or credit unions having their principal offices in the State of Michigan. Surplus funds of the Village are permitted to be invested in bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state; certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state; commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase; securities issued or guaranteed by agencies or instrumentalities of the United States government; United States government or federal agency obligation repurchase agreements; bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation; mutual funds composed entirely of investment vehicles that are legal for direct investment by a village; and investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws that are legal for direct investment by a Village.

The carrying amount at year end of the Village deposits with financial institutions was \$422,163. An additional \$217 of petty cash is not on deposit with any financial institution at year end. The actual bank balances amounted to \$426,838. Of this amount \$262,650 is insured by the FDIC and \$164,188 was uninsured and uncollateralized.

Village of Gaines
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

At year end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$231,385	\$187,754	\$ 3,241	\$422,380

B. Receivables

Receivables as of year end for the Village's individual major funds, local streets, nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Police</u>	<u>Fire</u>	<u>Nonmajor Government Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 13,561	\$ -	\$ -	\$ -	\$ 4,466	\$ 2,627	\$ 20,654
Due from other governments	5,331	5,553	1,823	47	-	-	12,754
Less: allowance for uncollectibles	-	-	-	-	-	-	-
Net total receivables	<u>\$ 18,892</u>	<u>\$ 5,553</u>	<u>\$ 1,823</u>	<u>\$ 47</u>	<u>\$ 4,466</u>	<u>\$ 2,627</u>	<u>\$ 33,408</u>

Business type activities:

	<u>Sewer</u>
Receivables:	
Delinquent taxes	\$ 3,556
Accounts	<u>13,203</u>
Gross receivables	16,759
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$ 16,759</u>

Village of Gaines
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Buildings and building improvements	\$ 21,303	\$ -	\$ -	\$ 21,303
Vehicles	28,517	-	-	28,517
Total capital assets being depreciated	49,820	-	-	49,820
Less accumulated depreciation	(25,773)	(2,692)	-	(28,465)
Total capital assets, being depreciated, net	24,047	(2,692)	-	21,355
Governmental activities capital assets, net	<u>\$ 24,047</u>	<u>\$ (2,692)</u>	<u>\$ -0-</u>	<u>\$ 21,355</u>
Business-type activities:				
Capital assets, being depreciated:				
Sewer mains	\$2,335,362	\$ -	\$ -	\$2,335,362
Total capital assets, being depreciated	2,335,362	-	-	2,335,362
Less accumulated depreciation for:				
Sewer mains	(926,358)	(46,707)	-	(973,065)
Total accumulated depreciation	(926,358)	(46,707)	-	(973,065)
Total capital assets, being depreciated, net	\$1,409,004	\$ (46,707)	\$ -0-	\$1,362,297
Business-type capital assets, net	<u>\$1,409,004</u>	<u>\$ (46,707)</u>	<u>\$ -0-</u>	<u>\$1,362,297</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government

\$ 2,692

Total depreciation expense - governmental activities

\$ 2,692

Business-type activities:

 Sewer

\$ 46,707

Total depreciation expense – business-type activities

\$ 46,707

Village of Gaines
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fire	\$ 312
	Police	2,054
	Sewer	9,147
	Tax	2,710
Major	General	1,474
Local	General	2,633
Equipment	General	2,994
	Major	1,929
	Local	1,149
Street	General	79
Sidewalk	General	79
		<u>\$ 24,560</u>

	<u>Transfer In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Fire</u>	<u>Police</u>	<u>Nonmajor Governmental</u>	
Transfer out:					
General fund	\$ -	\$ 1,000	\$ 28,229	\$ 11,263	\$ 40,492
Total transfers out	<u>\$ -0-</u>	<u>\$ 1,000</u>	<u>\$ 28,229</u>	<u>\$ 11,263</u>	<u>\$ 40,492</u>

Transfers between funds were primarily for operating purposes.

V. Significant concentrations of credit risk

Financial instruments potentially subjecting the Village to concentrations of credit risk consist principally of uninsured cash deposits. Risk associated with cash is disclosed in Note 2.

Village of Gaines
Notes to Financial Statements
March 31, 2005

VII. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund and reserving General Fund fund balance for the excess of building department revenues over expenditures since adoption of the Act. The activity related to construction code activity for the year ended March 31, 2004 and General Fund reserved fund balance at year end is as follows:

Beginning reserved fund balance	\$ 133
Construction permit revenue	200
Expenditures:	
Professional services	<u>378</u>
Expenditures over revenues	<u>\$ 45</u>

Required Supplementary Information

**Village of Gaines
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year ended March 31, 2005**

	Budget		Actual	Variance Under (Over)
	Original	Final		
Revenues:				
Taxes	\$ 47,550	\$ 45,643	\$ 51,912	\$ 6,269
Licenses and permits	200	200	400	200
Intergovernmental:				
Federal	-	-	25	25
State	40,809	40,809	40,333	(476)
Fines and fees	1,500	1,500	1,574	74
Interest	1,125	125	75	(50)
Miscellaneous	10,047	6,247	6,681	434
Total revenues	101,231	94,524	101,000	6,476
Expenditures:				
Current:				
General government	53,858	50,427	50,240	187
Public safety	1,000	1,000	378	622
Planning	1,000	1,000	625	375
Other	26,136	23,136	19,332	3,804
Capital outlay	1,200	1,200	1,304	(104)
Total expenditures	83,194	76,763	71,879	4,884
Excess of revenues over expenditures	18,037	17,761	29,121	11,360
Other financing uses:				
Transfers out	(32,229)	(29,229)	(40,492)	(11,263)
Net change in fund balance	(14,192)	(11,468)	(11,371)	97
Fund balance - beginning of year	94,493	94,493	94,493	-
Fund balance - end of year	\$ 80,301	\$ 83,025	\$ 83,122	\$ 97

**Village of Gaines
Major Streets Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year ended March 31, 2005**

	Budget		Actual	Variance Under (Over)
	Original	Final		
Revenues:				
Intergovernmental:				
State	\$ 30,718	\$ 33,710	\$ 33,588	(122)
Interest	50	50	92	42
Total revenues	30,768	33,760	33,680	(80)
Expenditures:				
Current:				
Highways and streets	18,590	8,049	11,272	(3,223)
Total expenditures	18,590	8,049	11,272	(3,223)
Excess (deficiency) of revenues over expenditures	12,178	25,711	22,408	(3,303)
Fund balance - beginning of year	34,339	34,339	34,339	-
Fund balance - end of year	\$ 46,517	\$ 60,050	\$ 56,747	\$ (3,303)

**Village of Gaines
Local Streets Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year ended March 31, 2005**

	Budget		Actual	Variance Under (Over)
	Original	Final		
Revenues:				
Intergovernmental:				
State	\$ 9,995	\$ 11,196	\$ 11,231	35
Interest	100	100	107	7
Total revenues	10,095	11,296	11,338	42
Expenditures:				
Current:				
Highways and streets	22,144	6,297	8,598	(2,301)
Total expenditures	22,144	6,297	8,598	(2,301)
Excess (deficiency) of revenues over expenditures	(12,049)	4,999	2,740	(2,259)
Fund balance - beginning of year	13,829	13,829	13,829	-
Fund balance - end of year	\$ 1,780	\$ 18,828	\$ 16,569	\$ (2,259)

**Village of Gaines
Fire Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year ended March 31, 2005**

	Budget		Actual	Variance Under (Over)
	Original	Final		
Revenues:				
Taxes	\$ 14,600	\$ 16,263	\$ 17,124	\$ 861
Interest	-	-	9	9
Total revenues	14,600	16,263	17,133	870
Expenditures:				
Current:				
Public safety	13,680	14,280	14,501	(221)
Total expenditures	13,680	14,280	14,501	(221)
Excess of revenues over expenditures	920	1,983	2,632	649
Other financing sources:				
Transfers in	(1,000)	(1,000)	1,000	2,000
Net change in fund balance	(80)	983	3,632	2,649
Fund balance - beginning of year	5,606	5,606	5,606	-
Fund balance - end of year	\$ 5,526	\$ 6,589	\$ 9,238	\$ 2,649

**Village of Gaines
Police Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year ended March 31, 2005**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Under (Over)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and fees	\$ -	\$ -	\$ 47	\$ 47
Interest	10	10	10	-
Miscellaneous	500	500	551	51
Total revenues	510	510	608	98
Expenditures:				
Current:				
Public safety	29,779	26,600	27,908	(1,308)
Total expenditures	29,779	26,600	27,908	(1,308)
Deficiency of revenues over expenditures	(29,269)	(26,090)	(27,300)	(1,210)
Other financing sources (uses):				
Transfers in	29,269	28,275	28,229	(46)
Net change in fund balance	-	2,185	929	(1,256)
Fund balance - beginning of year	1,547	1,547	1,547	-
Fund balance - end of year	\$ 1,547	\$ 3,732	\$ 2,476	\$ (1,256)

**Combining Fund Statements, Schedules, and
Fund Descriptions**

**Village of Gaines
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended March 31, 2005**

	Budget		Actual	Variance Under (Over)
	Original	Final		
General government:				
Village council	\$ 2,575	\$ 2,575	\$ 2,400	\$ 175
Village president	1,200	1,200	1,500	(300)
Village clerk	30,762	27,781	29,486	(1,705)
Village treasurer	3,484	3,484	3,838	(354)
Village hall and grounds	11,470	11,020	6,167	4,853
Meetings, transportation, and sundry	1,850	1,850	3,181	(1,331)
Public benefit	2,517	2,517	3,668	(1,151)
Total general government	53,858	50,427	50,240	187
Public safety:				
Building inspector	1,000	1,000	378	622
Total public safety	1,000	1,000	378	622
Planning:				
Planning	1,000	1,000	625	375
Total planning	1,000	1,000	625	375
Other	26,136	23,136	19,332	3,804
Capital outlay	1,200	1,200	1,304	(104)
Total expenditures	\$ 83,194	\$ 76,763	\$ 71,879	\$ 4,884

**Village of Gaines
Non-Major Governmental Funds
Summary Descriptions
March 31, 2005**

Special Revenue Funds

The Sidewalk Fund

To account for sidewalk improvements throughout the Village. These improvements are funded by taxes.

The Equipment Replacement Fund

To account for funds transferred from other funds such as general fund for the purpose of accumulating resources to purchase necessary capital equipment.

The Street Maintenance Fund

To account for non-Act 51 resources generated for various street maintenance activities.

Agency Funds

The Current Tax Fund is used to account for cash receipts and disbursements of current property taxes levied by other taxing units and other funds.

**Village of Gaines
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
March 31, 2005**

	Sidewalk	Equipment Replacement	Street Maintenance	Total
Assets				
Cash and cash equivalents	\$ 3,771	\$ 24,851	\$ 36,457	\$ 65,079
Delinquent taxes receivable	1,314	-	1,313	2,627
Due from other funds	79	6,072	79	6,230
Total assets	\$ 5,164	\$ 30,923	\$ 37,849	\$ 73,936
Fund Balances				
Fund balances:				
Unreserved	\$ 5,164	\$ 30,923	\$ 37,849	\$ 73,936
Total fund balance	\$ 5,164	\$ 30,923	\$ 37,849	\$ 73,936

Village of Gaines
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended March 31, 2005

	Sidewalk	Equipment Replacement	Street Maintenance	Total
Revenues:				
Taxes	\$ 5,034	\$ -	\$ 5,034	\$ 10,068
Interest	10	44	84	138
Miscellaneous	-	4,405	-	4,405
Total revenues	5,044	4,449	5,118	14,611
Expenditures:				
Current:				
Public safety	10,815	-	-	10,815
Highways and streets	-	-	100	100
Capital outlay	-	1,585	-	1,585
Total expenditures	10,815	1,585	100	12,500
Excess (deficiency) of revenues over expenditures	(5,771)	2,864	5,018	2,111
Other financing sources:				
Transfers in	-	11,263	-	11,263
Net change in fund balance	(5,771)	14,127	5,018	13,374
Fund balance - beginning of year	10,935	16,796	32,831	60,562
Fund balance - end of year	\$ 5,164	\$ 30,923	\$ 37,849	\$ 73,936

Village of Gaines
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
For the Year Ended March 31, 2005

Sidewalk Fund			
	Budget		Actual
	Original	Final	
Revenues:			
Taxes	\$ 4,500	\$ 4,500	\$ 5,034
Interest	60	60	10
Miscellaneous	-	-	-
Total revenues	4,560	4,560	5,044
Expenditures:			
Current:			
Public safety	7,935	10,935	10,815
Highways and streets	-	-	-
Capital outlay	-	-	-
Total expenditures	7,935	10,935	10,815
Excess (deficiency) of revenues over expenditures	(3,375)	(6,375)	(5,771)
Other financing sources:			
Transfers in	-	-	-
Net change in fund balance	(3,375)	(6,375)	(5,771)
Fund balance - beginning of year	10,935	10,935	10,935
Fund balance - end of year	\$ 7,560	\$ 4,560	\$ 5,164

Equipment Replacement Fund				Street Maintenance Fund			
Budget		Actual	Variance Under (Over)	Budget		Actual	Variance Under (Over)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 4,600	\$ 4,500	\$ 5,034	\$ 534
50	269	44	(225)	60	60	84	24
-	-	4,405	4,405	-	-	-	-
50	269	4,449	4,180	4,660	4,560	5,118	558
-	-	-	-	-	-	-	-
-	-	-	-	235	235	100	135
1,735	1,735	1,585	150	-	-	-	-
1,735	1,735	1,585	150	235	235	100	135
(1,685)	(1,466)	2,864	4,330	4,425	4,325	5,018	693
9,000	9,000	11,263	2,263	-	-	-	-
7,315	7,534	14,127	6,593	4,425	4,325	5,018	693
16,796	16,796	16,796	-	32,831	32,831	32,831	-
\$ 24,111	\$ 24,330	\$ 30,923	\$ 6,593	\$ 37,256	\$ 37,156	\$ 37,849	\$ 693

(continued)

Village of Gaines
Nonmajor Governmental Funds
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual (continued)
For the Year Ended March 31, 2005

	Total			Variance Under (Over)
	Original	Budget Final	Actual	
Revenues:				
Taxes	\$ 9,100	\$ 9,000	\$ 10,068	\$ 1,068
Interest	170	389	138	(251)
Miscellaneous	-	-	4,405	4,405
Total revenues	9,270	9,389	14,611	5,222
Expenditures:				
Current:				
Public safety	7,935	10,935	10,815	120
Highways and streets	235	235	100	135
Capital outlay	1,735	1,735	1,585	150
Total expenditures	9,905	12,905	12,500	405
Excess (deficiency) of revenues over expenditures	(635)	(3,516)	2,111	5,627
Other financing sources:				
Transfers in	9,000	9,000	11,263	2,263
Net change in fund balance	8,365	5,484	13,374	7,890
Fund balance - beginning of year	60,562	60,562	60,562	-
Fund balance - end of year	\$ 68,927	\$ 66,046	\$ 73,936	\$ 7,890

Village of Gaines
Combining Statement of Changes in Assets
and Liabilities - All Agency Fund Types
March 31, 2005

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
<u>Current Tax Fund</u>				
Assets				
Cash and cash equivalents	\$ 481	\$ 79,941	\$ 77,181	\$ 3,241
Total assets	\$ 481	\$ 79,941	\$ 77,181	\$ 3,241
Liabilities				
Due to other funds	\$ -	\$ 2,710	\$ -	\$ 2,710
Due to other governments	481	77,231	77,181	531
Total liabilities	\$ 481	\$ 79,941	\$ 77,181	\$ 3,241

September 29, 2005

To the Honorable Members of the Village
Council of the Village of Gaines

We have audited the general purpose financial statements of Village of Gaines for the year ended March 31, 2005, and have issued our report thereon dated June 16, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 11, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Gaines's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To The Honorable Members of the Village
Council of the Village of Gaines
September 29, 2005
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Recommendations Related to Fiscal Year Ended March 31, 2005

Budget Adoption

The Village properly adopted a 2005 budget for the General and all Special Revenue Funds. However, budget amendments prior to the end of the fiscal year should be approved to avoid budget overages as required by State Law. The budget was amended before year end but some funds still had expenditures over budget.

We would like to thank the Village staff for the cooperation and courtesy they afforded to us during the audit. We would also like to thank the Village Council for the opportunity to serve as the Village's independent auditors.

This report is intended solely for the information of the Village of Gaines and the State of Michigan, and is not intended to be and should not be used by anyone other than those specified parties.

BKR Depina & Ryden

Certified Public Accountants
Flint Office